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MONTANA LOTTERY

FINANCIAL STATEMENTS
(Unaudited)

PERIOD ENDED JUNE 30, 1991

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MONTANA LOTTERY

FINANCIAL STATEMENTS
(Unaudited)

PERIOD ENDED JUNE 30, 1991

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APPOINTIVE OFFICIALS

Zoann Attwood, Lottery Director

L. John Onstad, Lottery Assistant Director for Security

LOTTERY COMMISSION		TERM EXPIRES
Ward Shanahan - Chairman	Helena	January 1, 1994
Becky Erickson	Glasgow	January 1, 1993
Bill Ware	Helena	January 1, 1993
Gary Rebal	Great Falls	January 1, 1994
Dwaine Iverson	Shelby	January 1, 1995

LOTTERY LIAISON COMMITTEE

Senator Bob Pipinich	Missoula
Senator Bernie A. Swift	Hamilton
Representative Linda Nelson	Medicine Lake
Representative Norman Wallin	Bozeman

REPORT DISTRIBUTION

According to Section 23-5-1007(9), MCA, copies of this report must be distributed to the following individuals.

Stan Stephens, Governor

Bob Marks, Director, Department of Administration

Scott Seacat, Legislative Auditor

Joe Mazurek, President of the Senate

Hal Harper, Speaker of the House

The law also states "the President of the Senate and the Speaker of the House will determine the report distribution to each member of the appropriate committee of each house of the legislature". The President of the Senate and the Speaker of the House have requested that this report be distributed to the Revenue Oversight Committee. In addition, the President of the Senate has requested this report be distributed to the Business and Industry Committee, the Education Committee, and the Finance and Claims Committee. The Speaker of the House has requested that this report be distributed to the specific members of the Business and Economic Development Committee and the Education and Cultural Resources Committee.

Members of the Revenue Oversight Committee are as follows:

Representative Dan Harrington	Senator Dorothy Eck
Representative Bob Gilbert	Senator Thomas E. Towe
Representative Marian W. Hanson	Senator Fred R. VanValkenburg
Representative Robert R. Ream	Senator Robert Brown
Representative Ted Schye	Senator Bruce D. Crippen
Representative Mike Foster	Senator Thomas O. Hager

Members of the Business and Industry Committee are as follows:

J. D. Lynch, Chairman	John "Ed" Kennedy, Vice Chairman
Betty Bruski	Eve Franklin
Delwyn Gage	Tom Hager
Jerry Noble	Gene Thayer
Bob Williams	

Members of the Education Committee are as follows:

Chet Blaylock, Chairman	Harry Fritz, Vice Chairman
Bob Brown	Bill Farrell
Swede Hammond	Dennis Nathe
Dick Pinsoneault	Mignon Waterman
William Yellowtail	

Members of the Finance and Claims Committee are as follows:

Judy Jacobson, Chairman	Greg Jergeson, Vice Chairman
Gary C. Aklestad	Tom Beck
Esther Bengtson	Don Bianchi
Gerry Devlin	Harry Fritz
Swede Hammond	Ethel Harding
Bob Hockett	Tom Keating
Dennis Nathe	Larry Stimatz
Larry Tveit	Eleanor Vaughn
Mignon Waterman	Cecil Weeding

Members of the Business and Economic Development Committee receiving the report are as follows:

Bob Bachini, Chairman	Sheila Rice, Vice Chairman
Bob Pavlovich	

Members of the Education and Cultural Resources Committee receiving the report are as follows:

Ted Schye, Chairman	Ervin Davis, Vice Chairman

Stan Stephens
Governor

Zoann Attwood
Director

October 31, 1991

Montana Lottery Commission:

The fourth quarter of 1991 continued to show increased profits for the Montana Lottery and the Office of Public Instruction (OPI). Contributing to these profits was revenue generated from the sale of Montana's own lotto game. Sales of Montana Ca$h tickets began on May 6, 1991 and added over $900,000 to total revenue for the quarter and fiscal year.

For the fiscal year ended June 30, 1991, the Lottery transferred nearly $4.2 million to OPI. This brings the total contributed to OPI to over $19.5 million in 4 years of operation.

Entering fiscal year 1992, the Lottery continues its search for new products and players. Research is underway to determine who our players are and how we can best reach them. New product development and enhancements to the current games will also fill the agenda for the coming year. Through these efforts, the Lottery strives to maximze our contribution to OPI in the coming years.

Zoann Attwood
Director

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Montana Lottery, [illegible] MT 59601-0547 [illegible] FAX (406) 444-5810

MONTANA LOTTERY
BALANCE SHEET
JUNE 30, 1991

ASSETS	(Unaudited)
Cash	$ 574,805
Investment in Short-Term Investment Pool	400,800
Receivables (Net)	602,632
Inventories	173,921
Equipment	758,622
Other Fixed Assets	4,093
Accumulated Depreciation	(418,704)
Intangible Assets	189,943
Other Assets	13,088
Multi-State Lottery Receivable	542,809
TOTAL ASSETS	$ 2,842,009

LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts Payable and Accruals	$ 410,903
Lottery Prizes Payable	994,758
Due to Other Funds (Note 2)	1,189,446
Deferred Revenue	19,629
Compensated Absences Payable (Note 1)	99,549
Allowance for Ticket Returns	129,751
	$ 2,844,036
FUND EQUITY:	
Retained Earnings Unreserved	(2,027)
Total Fund Equity	(2,027)
TOTAL LIABILITIES AND FUND EQUITY	$ 2,842,009

The accompanying notes are an integral part of these financial statements.

MONTANA LOTTERY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PERIODS ENDED JUNE 30, 1991

	Quarter Ended June 30, 1991 (Unaudited)	Twelve Months Ended June 30, 1991 (Unaudited)
REVENUES:		
Net instant ticket revenue	$ 2,134,019	$ 8,170,377
Lotto*America ticket revenue	3,020,562	14,859,511
Montana Ca$h ticket revenue	901,490	901,490
Other income	-0-	9,880
License and permits	900	4,350
Interest Earnings	14,887	40,423
Total Revenues	$ 6,071,858	$ 23,986,031
Cost of Ticket Revenue		
Instant ticket prize expense	(1,224,884)	(4,672,276)
On-line ticket prize expense	(1,659,019)	(6,986,546)
Retailer commission	(339,508)	(1,346,955)
Cost of tickets sold	(134,218)	(503,516)
On-line Vendor Fees	(863,997)	(3,539,506)
Net Operating Revenue	$ 1,850,232	$ 6,937,232
OPERATING EXPENSES:		
Advertising	$ 201,374	$ 622,030
Amortization	44,781	198,341
Audit Fees	10,731	58,711
Communications	21,499	73,970
Contractual Services	124,242	309,563
Depreciation	23,566	119,055
Equipment	794	794
Management Service Fee	30,394	78,627
Other	463	54,926
Personal Services	250,583	966,940
Repairs and Maintenance	18,673	77,878
Supplies and Materials	6,689	46,326
Utilities and Rent	16,546	96,536
Travel	9,626	35,054
Total Operating Expense	$ 759,961	$ 2,738,751
Operating Income	$ 1,090,271	$ 4,198,481
NONOPERATING EXPENSES		
Interest Expense	-0-	(119)
Total Nonoperating Revenues (Expense)	-0-	(119)
Income before Operating Transfers	1,090,271	4,198,362
Operating Transfers In (Out)	(1,092,298)	(4,200,337)
NET INCOME (LOSS)	$ (2,027)	$ (1,975)
Retained Earnings, Beginning of Period (Note 5)		(52)
RETAINED EARNINGS, END OF PERIOD		$ (2,027)

The accompanying notes are an integral part of these financial statements.

MONTANA LOTTERY
COMPARATIVE STATEMENT OF ACTUAL
VS. BUDGETED REVENUES AND EXPENDITURES
PERIOD ENDED JUNE 30, 1991
Not Presented In Accordance With Generally Accepted Accounting Principles
(Unaudited)

	Budgeted Fiscal Yr. July 1,1990 - June 30, 1991	Actual Twelve Months Ended June 30, 1991 (Unaudited)	Actual as a Percent of Budget (%)
REVENUES:			
Net instant ticket revenue	$12,000,000	$ 8,170,377	68.09
Net on-line ticket revenue	14,500,000	15,761,001	108.70
Other income	-0-	9,880	N/A
License and permits	4,000	4,350	108.75
Interest Earnings on STIP	35,000	40,423	115.49
Total Revenues	$26,539,000	$23,986,031	90.38
Prizes and Commissions			
Instant ticket prize expense	(6,360,000)	(4,672,276)	73.46
On-line ticket prize expense	(6,525,000)	(6,986,546)	107.07
Retailer Commission	(1,685,000)	(1,346,955)	79.94
Net Operating Revenue	$11,969,000	$10,980,254	91.74
EXPENSES:			
Budgeted			
Advertising	$ 839,381	$ 622,030	74.11
Audit Fees	76,597	58,711	76.65
Communications	72,021	73,970	102.71
Contractual Services	271,513	309,563	114.01
Interest	119	119	100.00
Management Service Fees	82,762	78,627	95.00
On-line Vendor Fees	3,348,941	3,539,506	105.69
Other	57,219	54,926	95.99
Personal Services	1,005,742	966,940	96.14
Repairs and Maintenance	83,290	77,878	93.50
Supplies and Materials	47,475	46,326	97.58
Travel	41,366	35,054	84.74
Utilities and Rent	95,320	96,536	101.28
Nonbudgeted & budgeted with no expense			
Amortization	-0-	198,341	N/A
Cost of Tickets Purchased	607,126	-0-	N/A
Cost of Tickets Sold	-0-	503,516	N/A
Depreciation	-0-	119,055	N/A
Equipment	42,000	794	N/A
Installment Purchases	165,285	-0-	N/A
Total Expenses	$ 6,836,157	$ 6,781,892	N/A
Operating Income	5,132,843	4,198,362	81.79
Retained Earnings, Beginning of Period		(52)	N/A
TRANSFER TO OPI	$ 5,132,843	$ 4,200,337	81.83
Retained Earnings, End of Period		(2,027)	N/A

MONTANA LOTTERY
Notes to the Financial Statements (Unaudited)
JUNE 30, 1991

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity.

The Montana Lottery, established under the provisions of Section 23-5-1001, Montana Code Annotated (MCA), was approved by the Montana electorate through Legislative Referendum No. 100 on November 4, 1986.

Montana's first lottery tickets went on sale June 24, 1987.

The Montana Lottery is operated by a five member commission consisting of Montana residents appointed by the Governor. The Commission, by law, has the power to operate a state lottery, determine the types and forms of lottery games, set the ticket price, number and size of prizes, conduct lottery drawings, enter into agreements to offer lottery games in conjunction with other lottery states and prepare financial reports.

Basis of Presentation. The Montana Lottery reports its financial activity in accordance with generally accepted accounting principles (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB).

Enterprise Fund. The Montana Lottery is classified as an Enterprise Fund of the governmental Proprietary Fund Type. Enterprise Funds account for operations: a) financed and operated similar to private business enterprises, where the intent of the Legislature is that costs are to be financed or recovered primarily through user charges, or b) where the Legislature has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate.

Basis of Accounting. The Montana Lottery's financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

Investment in Short-Term Investment Pool. The Short-Term Investment Pool (STIP) is a pool of investments, maintained by the Montana Board of Investments, with maturities of one year or less. The Lottery's purchase of units in STIP totalled $400,800 as of June 30, 1991. These funds are highly liquid and may be purchased or sold daily. Interest earnings accrue daily and income is distributed monthly. Interest earnings for the quarter and twelve months ending June 30, 1991 totalled $4,145 and $29,681 respectively.

Receivables. Receivables totalling $602,632 represent amounts owing the Lottery for purchased tickets. An allowance for doubtful accounts is usually based on historical perspective. Because of immaterial uncollectible account balances, an allowance for doubtful accounts has not been established.

Receivables include a $1,525 adjustment in retailer commissions related to estimated ticket returns.

Inventories. Inventories consist of merchandise, Instabuck and supplies inventories. Merchandise inventory includes lottery tickets valued at $159,640 stored in the warehouse and with the marketing representatives. These ticket inventories are recorded at cost using the specific identification method and maintained on a perpetual inventory system. Tickets are charged to cost of tickets sold when sold. After game end and awaiting disposal, unsold tickets are charged to cost of tickets sold.

Merchandise inventory includes a $695 adjustment related to estimated ticket returns.

Supplies inventories include paper supplies, ticket dispensers, premiums and point-of-sale materials having an initial value of $5,000 or more. At quarter end, supplies inventories totaled $14,281. These inventories are also recorded at cost using the specific identification method.

Compensated Absences. State employees earn annual leave ranging from 15 to 24 days per year depending on the individual's years of service. Annual leave may be accumulated not to exceed two times the maximum number of days earned annually. With no limit on accumulation, sick leave is earned at 12 days per year. Upon retirement or termination, an employee is paid 100% for unused vacation and 25% for unused sick leave. The Lottery's payable for compensated balances is detailed below.

Balance June 30, 1990	Net Leave Earned/(Used)	Balance June 30, 1991
$94,392	$5,157	$99,549

Allowance for Ticket Returns. This allowance represents a liability as of June 30, 1991 for estimated ticket returns. The allowance for ticket returns was increased by $26,909 from the quarter ending March 31, 1991. This is an estimate based, partially, on actual returns received after the end of the quarter. Conversely, ticket revenue has been decreased by approximately $26,909 for the quarter ended June 30, 1991. Prize expense has been decreased by approximately $15,598. Commissions and cost of goods sold have also been decreased for expenses associated with this change in allowance.

Revenue Recognition. Lottery instant ticket sales are recorded as revenue based on ticket deliveries to the retailers. In accordance with an established policy, retailers may return unsold tickets to the Lottery for credit. Sales are decreased by an allowance for estimated ticket returns.

Lottery on-line ticket sales are recorded as revenue based on drawings. Tickets sold in advance for future drawings are recorded as deferred revenue until such time as the tickets become valid for the most current drawing.

Revenue From Other Sources. On November 1, 1990 the Lottery received $12,653 in settlement of an insurance claim filed with the Lottery's landlord's insurance agency. $5,700 of this was recognized as revenue at fiscal year end 1990 and the remaining $6,953 was recognized as revenue during the quarter ended December 31, 1990.

Other sources of revenue include the gain on sale of fixed assets totaling $2,927.

Free Tickets. The Montana Lottery's instant games award free tickets as prizes. Net lottery ticket revenue does not include the value of free tickets given away and free plays won. The face value of these free tickets distributed approximated $289,702 for the quarter ended June 30, 1991.

Instabucks. Instabucks are a Lottery coupon good, upon redemption, for an instant lottery ticket. Instabucks, used to stimulate lottery ticket sales, are usually given away for promotions, retailer clerk incentive programs, and advertising trade-outs. The lottery tickets distributed resulting from Instabuck redemptions are reflected as a reduction in revenue. The related prize expense and ticket cost are reclassified as an advertising expense. For the quarter ended June 30, 1991, Instabuck redemptions resulted in a revenue reduction of $27,882 and a prize expense reclassification of $15,219.

Prizes. Expenses for instant prizes are recorded based on the predetermined prize structure for each game. No prize expense is recorded for free tickets distributed.

Expenses for on-line prizes are recorded based on the predetermined prize structure for the on-line game.

Commissions. Section 23-5-1016(10), MCA provides retailers a commission on instant and on-line tickets or chances sold. The Lottery commission established this commission at 5% of the face value of instant tickets delivered to the retailers and on the amount of tickets sold for each on-line drawing. The commission on tickets sold to the retailer gives the retailer $15 per book of 300 tickets or 5 cents for each on-line ticket sold. For the quarter and twelve months ended June 30, 1991, commissions totaled $339,508 and $1,346,955 respectively.

Retailers can receive bonus commissions on tickets sold based on incremental sales of instant tickets. During the quarter and twelve months ended June 30, 1991, retailers earned bonus commissions totaling $20,972 and $72,452.

Amortization. The Instant Lottery System (ILS) software, classified as an intangible asset, is being amortized over a period of five years using the straight line method. The Media Drop-In Productions, Inc. contract for the use of ten lottery advertisements, is also classified as an intangible asset. This contract is being amortized over a period of 3 years using the straight line method.

2. DUE TO OTHER FUNDS

The account "Due to Other Funds" totalling $1,189,446 reflects the balance of $1,090,219 payable to the State Superintendent of Public Instruction for the period ended June 30, 1991 and 99,227 due to other state agencies for goods and services provided through the period ended June 30, 1991.

3. PAID PRIZES AND PRIZE EXPENSE

Section 23-5-1027, MCA states "A minimum of 45% of the money paid for tickets or chances must be paid as prize money".

From April 1, 1991 through June 30, 1991 prizes paid are detailed as follows:

High-tier	$ 138,000
Low-tier	1,073,447
On-line	1,539,884
	$2,751,331

From July 1, 1991 through June 30, 1991 prizes paid are detailed as follows:

High-tier	$1,147,914
Low-tier	3,637,479
Big Win	245,000
On-line	6,971,976
	$12,002,369

High-tier prizes reflect instant ticket prizes greater than $50 paid through Lottery headquarters. Low-tier prizes of $50 or less are paid by the retailer or Lottery headquarters.

Prize expense is recorded based on the predetermined prize structure percentage for each game. For the quarter ended June 30, 1991, the prize expense of $2,883,903 is 47.62% of net Lottery ticket revenue of $6,056,071. For the twelve months ended June 30, 1991, the prize expense of $11,658,822 is 48.72% of net Lottery ticket revenue of $23,931,378.

When recording the prize expense, a corresponding liability for high-tier prizes is also recorded. The relationship between prize expense, prizes paid and the change within prize liability is illustrated below:

April 1 through June 30, 1991		Percent of Net Lottery Ticket Revenue (Unaudited)
Prizes paid	2,751,331	45.43
Adjustment to prizes paid for recognition of prize liability due from MUSL	(542,809)	(8.96)
Instabucks	(15,219)	(.25)
Increase (decrease) in prize liability	690,600	11.40
Prize expense	$2,883,903	47.62

July 1 through June 30, 1991		Percent of Net Lottery Ticket Revenue (Unaudited)
Prizes paid	12,002,369	50.15
Adjustment to prizes paid for recognition of prize liability due from MUSL	(542,809)	(8.96)
Instabucks	(100,352)	(.42)
Increase (decrease) in prize liability	299,614	1.25
Prize expense	$11,658,822	48.72

4. TRANSFER TO STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

Section 23-5-1027, MCA states "that part of all gross revenue not used for payment of prizes, commissions, and operating expenses is net revenue and must be paid quarterly

quarter and twelve months ended June 30, 1991, is $1,090,219 and $4,198,362. The difference between net revenue and what was actually transferred is due to the recording of a fiscal year 1991 expenditure after the fourth quarter transfer was calculated.

5. DEFICIT RETAINED EARNINGS

According to the law, the Lottery's net revenue must be transferred quarterly to the State Superintendent of Public Instruction. This transfer should result in a zero retained earnings balance. Because of recording a fiscal year 1989-1990 expenditure after calculation of the transfer for the quarter ending June 30, 1990, the beginning retained earnings balance is ($52) rather than zero.

6. MULTI-STATE LOTTERY RECEIVABLE

As a member of the Multi-State Lottery Association (MUSL) and the Lotto*America game, the Lottery is required to contribute to a prize reserve fund maintained by MUSL. This fund is to be used only in the event of an unanticipated prize claim. It is an insurance fund intended to protect the member lotteries against the liability that could result from a system failure at one of the member lotteries. All money paid to this fund, as well as the interest earned on the Lottery's share of the fund, would be returned to the Lottery upon leaving MUSL (assuming that no unanticipated prize claims have been paid).

The Lottery contributes to the reserve fund through the 45% set-aside for prizes. In addition the Lottery was required to contribute for its portion of the reserve fund accumulated since the start of the Lotto*America game. The Lottery made this payment in full as of June 1990, through an additional 2% of drawing revenue rather than making a lump sum payment. Payments made to the reserve fund are considered a portion of the prize expense associated with the on-line game. Contributions to this fund total $489,825, interest earnings equal $52,984 for a total of $542,809 as of June 30, 1991.

7. GAMES

Currently, the Montana Lottery games are instant ticket games and two on-line game referred to as Lotto*America and Montana Ca$h. Instant ticket games provide players the opportunity to win instantly by scratching a latex covering to reveal a prize. The Lotto*America game allows players the chance to win a minimum pari-mutual jackpot of $2 million. Players select 6 numbers from a field of 54 and must match at least 4 out of 6 to win a prize. Drawings are held twice weekly on Wednesday and Saturday nights. For any drawing, if no ticket matches 6 out of 6 numbers, the jackpot rolls over to the next drawing to create a progressive jackpot.

The Montana Ca$h game allows players the chance to win a minimum pari-mutual jackpot of $20,000. Players select 5 numbers from a field of 37 and must match at least 3 out of 5 to win a prize. Matching 3 of 5 wins $5.00 and 4 of 5 wins $200. The drawing is held weekly on Saturday night. If no ticket matches all 5 numbers, the jackpot rolls over to the next drawing to create a progressive jackpot.

8. GAMING SUPPLIER CONTRACTS

Tickets. On March 9, 1990, the Montana Lottery entered into a one year contract with Dittler Brothers, Inc. to purchase lottery tickets.

The contract contains specifications regarding ticket design, printing, game ownership, inspection, and prize structure. The contract requires payment within 30 days of ticket receipt.

Dittler Brothers, Inc., as the vendor, delivered a $500,000 performance bond covering the contract term. The Company also provided an errors and omissions policy covering an ultimate net loss of $5,000,000.

This contract may be terminated when termination is in the best interest of the Lottery with proper notification to Dittler Brothers, Inc.

Computer Hardware and Software. The Lottery contracted with Scientific Games, Inc. on February 25, 1987, to purchase a used Stratus computer. The computer hardware and software cost $381,243. This contract also covered the acquisition of an Uninterruptable Power Supply (UPS) system for $40,551. The UPS system protects the computer against electrical power surges and failures.

The Lottery signed a separate agreement with Stratus Computer, Inc. on June 2, 1987, for maintenance of the Stratus computer hardware and software. Monthly maintenance totals $4,433.

On July 28, 1987, the Lottery signed a second agreement with Stratus Computer, Inc. regarding the Stratus software license. Under this contract, Stratus Computer, Inc. grants the Lottery a "nonexclusive, nontransferable license" to use the software of the Stratus computer. The proprietary rights and title of the software remain with Stratus Computer, Inc.

Lottery Software. On February 25, 1987, the Lottery agreed to purchase the Instant Lottery System (ILS) software package for $840,400. This agreement provides the Lottery a "perpetual, nonexclusive, nontransferable license to use the software solely for the Lottery's own use". The contract allows the Lottery to make 36 monthly payments of $23,344.44 with no interest. The first payment was due June, 1987.

Under the Extension and Second Amendment of Instant Ticket Contract dated January 5, 1989, these monthly payments were reduced to $11,672.22 commencing with the November 1988 payment. Upon expiration or termination of the Instant Ticket Contract with Scientific Games, Inc. on March 8, 1990, the payments were reinstated to $23,344.44 until the balance is paid in full.

On-line Services. On August 30, 1989, the Lottery selected Control Data Corporation to provide on-line terminals, central computers, telecommunications network, and training for a five year period. The contract, with an effective date of November 9, 1989, provides that payment will be a percentage of sales, which for the first year of the contract will be 25% of the first $250,000 of weekly sales, and 19% for sales between $250,001 to $500,000. The percentage decreases with higher weekly sales.

On November 9, 1990, the Lottery and Control Data Corporation entered into the second year of the on-line contract. Payment during the second year of the contract is based on 22% of the first $500,000 of weekly sales. This percentage decreases with higher weekly sales.

Control Data Corporation delivered a $1,980,000 performance bond covering the second year of the contract.

9. PRIZE ANNUITIES

During fiscal year 1989, the Montana Lottery awarded four Big Spin Jackpot prizes totalling $5,000,000. The Lottery made the initial payments to the winners in the amount of $253,088 and on September 26, 1988, the Montana Lottery awarded annuities in the amount of $2,350,180 to Western National Life. Through these annuities, Western National Life makes the remaining payments to the Big Spin Jackpot winners. As of June 30, 1991, the contingent liability for future prize payments funded through the purchase of annuities was $3,987,647.

10. LOTTO*AMERICA JACKPOT PRIZES

Jackpot prizes awarded in the Lotto*America game are funded through the purchase of U.S. Treasury Zero-Coupon Bonds purchased in the name of the State of Montana for the Montana Lottery by MUSL. MUSL will cash the bonds each year as they mature and will wire the funds to the Lottery for payment to winners on the anniversary date of the win.

On January 13, 1990, the Montana Lottery awarded its first Lotto*America jackpot prize totalling $1,740,000. The first annual payment of $87,000 was made on February 1, 1990. On May 9, 1990, the Lottery awarded a second Lotto*America jackpot prize of $3,000,000. The first annual payment of $150,000 was made on May 23, 1990. A third jackpot prize was

awarded on February 2, 1991 for $7,360,000. The first annual payment of $184,000 was made February 15, 1991. As of June 30, 1991, the contingent liability for future prize payments funded through the purchase of U.S. Treasury Zero-Coupon Bonds was $11,442,000.